

STIRLING COUNCIL

**MINUTES of MEETING of the AUDIT COMMITTEE held in the COUNCIL CHAMBERS,
OLD VIEWFORTH, STIRLING on THURSDAY 2 NOVEMBER 2017 at 10 am**

Present

Councillor Neil BENNY (Convener)

Councillor Martin EARL
Councillor Graham LAMBIE
Councillor Alison LAURIE

Councillor Ross OXBURGH
Councillor Alasdair TOLLEMACHE

In Attendance

Carol Beattie, Interim Director of Children Communities & Enterprise
Jim Boyle, Chief Officer - Finance, Localities & Infrastructure
David Bright, Resilience & Risk Manager, Localities & Infrastructure
Alastair Brown, Director of Localities & Infrastructure
Michael Grassom, Service Manager Child Care, Children, Communities & Enterprise
Carol Herity, Corporate Complaints & Customer Feedback Manager, Children, Communities & Enterprise
Rebecca Jardine, Communications Officer, Children, Communities & Enterprise
Drew Leslie, Service Manager Infrastructure Delivery, Localities & Infrastructure
Isabel McKnight, Chief Officer - Strategic Commissioning & Customer Development, Children, Communities & Enterprise
Alan Milliken, Senior Manager Communities & People, Children, Communities & Enterprise
Kevin O'Kane, Audit Manager, Localities & Infrastructure
Steven Richardson, Team Manager Children & Families, Children, Communities & Enterprise & Families
Iain Strachan, Chief Officer- Governance, Localities & Infrastructure
Sheila McLean, Governance Officer, Localities & Infrastructure (Clerk)
Karen Swan, Committee Officer, Localities & Infrastructure (Minutes)

Also Present

Blyth Deans, Audit Scotland, External Auditor

Agenda

The Convener intimated his intention to alter the order of the Agenda. The items were taken in the order minuted below.

AC16 APOLOGIES AND SUBSTITUTIONS

None.

AC17 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC18 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

AC19 MINUTES – AUDIT COMMITTEE – 31 AUGUST 2017

Decision

The Committee agreed to approve the Minutes of Meeting held on 31 August 2017 as an accurate record of proceedings.

AC20 ACCOUNTS COMMISSION REPORT: EQUAL PAY IN SCOTTISH COUNCILS

The Chief Governance Officer submitted a report on the National reports prepared by Audit Scotland on behalf of the Accounts Commission for consideration in accordance with good governance practice. The report provided the Audit Committee with information on the Accounts Commission National Report: 'Equal Pay in Scottish Councils', published on 7 September 2017.

The report also provided an independent view on progress made by Scottish Councils in implementing the 1997 UK-wide Single Status Agreement to eliminate pay inequality.

Scottish Councils and Trade Unions agreed a Scottish version of the Single Status Agreement in 1999, which reflected the UK-wide agreement, and was formulated to unify the pay structures of different groups of council employees, to harmonise employment terms and conditions, and to grade jobs on a consistent scale.

The meeting noted that since the Commission report was published, all cases for Stirling Council had been resolved. On behalf of the Committee, The Convener recorded thanks to the team involved.

In response to Members questions, clarity would be sought on the future planning for equality of treatment of staff and career opportunities.

Decision

The Audit Committee agreed:

1. to note the Accounts Commission national report 'Equal Pay in Scottish Councils' attached at Appendix 1 to the report;
2. to note the key messages and recommendations from the report, as summarised at paragraphs 3.4 and 3.5 of the submitted report.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 25 October 2017 submitted)

AC21 REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 ANNUAL REPORT 2016/17

The report on the operation of the Regulation of Investigatory Powers (Scotland) Act 2000 within Stirling Council during 2016/17 reported on the number of requests for authorisation of directed surveillance and the use of covert human intelligence sources.

As part of the Council's oversight of the management of the use of both directed surveillance and covert human intelligence sources Stirling Council agreed at a meeting on 11 September 2008 that an annual report on the use of these powers should be brought before Governance and Audit Committee. Accordingly, that report was now presented to Audit Committee, the successor to the Governance and Audit Committee.

The Chief Officer – Governance explained the varied usages and examples of the Regulation of Investigatory Powers that could be implemented.

Decision

The Audit Committee agreed:

1. to note that one authorisation for directed surveillance was granted in the year to 31 March 2017;
2. to note that there were no active covert human intelligence sources as at 31 March 2017, none had been recruited or used during the year; and
3. to note that no breaches of the Council's revised Regulation of Investigatory Powers (Scotland) Act Policy, approved by Audit Committee at its meeting on 26 May 2016, had been identified in the year to 31 March 2017.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 3 October 2017, submitted).

AC22 RISK MANAGEMENT

The Director of Localities and Infrastructure submitted a report on the Strategic Risk Register which allowed Members to examine the Significant Risks facing the Council and the Risk Treatments put in place to reduce the risks.

The Strategic Risk Register contained 17 risks, which comprised 6 under treatment and 11 managed/monitored.

The report included details of changes in risk status that had occurred since the last report to Committee.

Decision

The Audit Committee agreed:

1. to note the Risks within the Strategic Risk Register with specific attention to treatment actions and target dates;

2. to note the risks highlighted in paragraph 3.1 of the submitted report; and
3. to note the Service Risk Register Status update in paragraph 3.2 of the submitted report.

(Reference: Report by Director of Localities and Infrastructure, dated 10 October 2017 submitted)

AC23 CLACKMANNANSHIRE AND STIRLING INTEGRATION JOINT BOARD AUDIT COMMITTEE INTERNAL AUDIT REPORTS

The Clackmannanshire and Stirling Integration Joint Board Audit Committee Internal Audit Reports were submitted to the Audit Committee by the Chief Officer - Governance to provide information on Internal Audit reports submitted by the Chief Internal Auditor to the Clackmannanshire & Stirling Integration Joint Board, to meetings of the Integrated Joint Board (IJB) Audit Committee held between February and September 2017.

The Scottish Government's Finance Guidance for health and social care integration recommended that risk-based internal audit plans for Integration Joint Boards should be approved by the Integration Joint Board (or other Committee), and that the plans should be shared with the relevant Committee of the partner bodies.

Following concerns raised by Members, the Chief Officer - Finance explained the financial liability that Stirling Council had in respect of funding support to the Integrated Joint Board (IJB), also noting the IJB procedures that were in place to address any situation should it occur.

Decision

The Audit Committee agreed:

1. to note the findings, conclusions and assurance opinions set out in the Internal Audit reports on Integration Joint Board Corporate Governance and Financial Reporting arrangements, attached at Appendices 1 and 2 to the report;
2. to note the Integration Joint Board Internal Audit Annual Report 2016/17, attached at Appendix 3 to the report; and
3. to note the work set out in the approved Integration Joint Board Internal Audit Annual & Strategic Plans, attached at Appendix 4 to the report.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted).

AC24 NEW COMPLAINTS PROCEDURE ACROSS CHILDREN AND ADULT SERVICES

The Audit Committee was asked to consider the work carried out by Stirling Council to implement the Scottish Public Services Ombudsman (SPSO) 2 Stage Complaint Handling Process (CHP) for Social Work services.

The report informed Committee of the new process, changing from a three to a two stage process noting that the Complaints Panel for Stirling Council was no longer required and unresolved complaints would now go straight to the Ombudsman.

A compliance and self-assessment document providing assurance that the Council had adopted the Social Work CHP and met with its requirements was completed by the Council's Chief Executive and returned to the SPSO by the 7 April 2017 deadline. The SPSO had confirmed compliance.

The new complaints Handling Procedure should result in significant improvements in the quality of complaints handling, with clear guidance, prescribed performance requirements and explicit accountabilities from front-line staff to senior managers.

Members noted that the Scottish Public Services Ombudsman only reviewed the process in which the Council review complaints, not the nature of the complaint.

It was noted that a report on social services complaints would be submitted quarterly to the Corporate Management Team and bi-annually to the audit Committee.

Decision

The Audit Committee agreed:

1. to note that Stirling Council had implemented the 2 Stage Complaints Handling Process for Social Work complaints;
2. to note that the Council was compliant with the SPSO's requirements for implementation by 1 April 2017. This included SPSO's guidance in relation to inter-service and inter-agency complaint handling arrangements. In relation to Social Work staff working within the Health and Social Care Partnership, complaints involving such staff would be referred to the Council's Social Work complaint handling procedure; and
3. to note details of the new process, changing from a three to a two stage process noting that the Complaints Panel for Stirling Council was no longer required and unresolved complaints would now go straight to the Ombudsman.

(Reference: Report by Chief Social Work Officer (CSWO) (Children, Communities & Enterprise) dated 11 October 2017, submitted).

AC25 CORPORATE COMPLAINTS APRIL – SEPTEMBER 2017

Following guidance from the Scottish Public Services Ombudsman (SPSO) the Chief Officer - Governance approved a proposal to include complaints performance at Audit Committee. Stirling Council's benchmarking partners as members of the Local Authority Complaint Handlers Network which included North Ayrshire, Perth & Kinross and Fife all reported to their respective committees bi-annually.

The Audit Committee was asked to consider the Key Performance Indicators Stirling Council was measured against by the SPSO for the Local Authority Model Complaints Handling Procedure (CHP). The summary was tabled as Appendix 2 to the report.

Stirling Council commissioned an external review of the performance of its CHP in August 2016. The remit of the review was to establish an objective view of current performance, the relevant issues and prepare an Improvement Plan. The findings from the review were considered and approved by Corporate Management Team (CMT) on 18 October 2016. A project team was formed in December 2016 to action the improvement plan which was now 85% complete. The action plan was tabled as Appendix 3 to the report.

The Corporate Complaints & Customer Feedback Manager confirmed that a breakdown of the number of complaints recorded by Elected Members, and in respect to Policy decision and raised by MSP, MP etc. would be provided to Committee Members.

Decision

The Audit Committee agreed:

1. to note the Key Performance Indicators the Council was measured against;
2. to note the actions to date and that future reports would provide a half yearly and yearly complaint volumes, performance, themes, trends, customer feedback and learning and improvement actions;
3. future reporting to Audit Committee, on a bi-annual basis; and
4. to note performance for the reporting period April – September 2017.

(Reference: Report by Chief Officer – Strategic Commissioning & Customer Development (Children, Communities & Enterprise) dated 11 October 2017, submitted).

AC26 VACANT PROPERTY (NON-HOUSING) – ANNUAL UPDATE

The report provided an update on progress on the use of the Council's vacant or surplus operational buildings, and commercial properties and assets, and the measures that had been taken to ensure that the Council's assets were being managed efficiently and to minimise the amount of vacant property held by the Council.

In clarification to Members' questions, the Service Manager Infrastructure Delivery confirmed that a briefing note on the current status of properties sold or under negotiation would be circulated to Members of the Committee.

For future reporting to the Audit Committee, the Members were advised that a Less than Best Value and Internal Audit Review of Vacant Properties reports would both be submitted to future meetings.

Decision

The Audit Committee agreed:

1. to note the list of vacant properties appended to the report and the information provided to support the current position;

2. to note the action being taken, either re-letting or exploring the disposal potential of vacant properties; and,
3. that an update report would be submitted to the Audit Committee in November 2018.

(Reference: Report by Senior Manager - Infrastructure (Localities & Infrastructure) dated 10 October 2017, submitted).

AC27 INTERNAL AUDIT PROGRESS REPORT

The report provided the Audit Committee with an update on progress made against the approved Internal Audit Risk Assessment & Plan 2017-18.

Appendix 1 to the report, set out the current status of activities in the Internal Audit Risk Assessment & Plan 2017-18, as approved by Committee on 31 August 2017.

Decision

The Audit Committee agreed to note progress made on the Internal Audit Risk Assessment & Plan 2017-18, as set out in the Position Statement at Appendix 1 to the report.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted).

AC28 INTERNAL AUDIT: ACTION TRACKING UPDATE AND ANNUAL VERIFICATION

Internal Audit report contained recommendations for improvements to controls systems and processes, together with agreed actions for Services to address those recommendations. These were summarised in Action Plans within each audit report. Internal Audit monitored and reported on the implementation of agreed actions across all audit reviews, and reviewed a sample of completed actions on an annual basis to ensure that those had been properly reported as complete.

The report at Appendix 1 to the report identified Services' progress in implementing actions that had a target date of 30 September 2017 or earlier, based on responses received as at 24 October 2017.

The report at Appendix 2 to the report listed all 'high priority' actions that, as at 24 October 2017, had not been completed in line with their original target dates.

The annual Action Tracking Verification report at Appendix 3 to the report provided substantial assurance that Services were accurately reporting the completion of audit actions.

Following a Member's enquiry, the Audit Manager clarified the reason for the "cancelled" status and noted that future reports would include explanatory note against the cancelled actions.

Decision

The Audit Committee agreed:

1. to note the Action Tracking report at Appendix 1 to the report, which highlighted that there are 29 Internal Audit reports with actions that are outstanding. The reports had no overdue actions in terms of their current target dates, based on information provided to Internal Audit as at 24 October 2017;
2. to note the report at Appendix 2 to the report, which provided details of the 9 'high priority' actions that were overdue in terms of their original target dates, including Services' explanations for slippage; and
3. to note the contents and conclusions of the annual Action Tracking Verification report at Appendix 3 to the report.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted).

AC29 FRAUD AND IRREGULARITIES (APRIL 2016 TO MARCH 2017)

The report at Appendix 1 summarised losses, thefts and other financial irregularities reported to Internal Audit during the period 1 April 2016 to 31 March 2017. Further information, relating to corporate counter fraud activity in that period, was also highlighted in section 3 of the report.

Financial Regulation 9 (Internal Audit) required Directors to notify the Chief Finance Officer of all financial irregularities or of any circumstances that may suggest the possibility of irregularities, including those affecting cash, stores, contracts or property.

18 incidents were reported to Internal Audit in relation to the period 1 April 2016 to 31 March 2017. These involved an estimated loss to the Council of £3,481, and included the loss of 8 mobile phones and 6 fuel cards.

The Audit Manager responded to Members' concerns, and confirmed that Stirling Council had procedures in place to ensure that checks and balances throughout all Council services were recorded and to highlight any irregularities.

To address Members' concerns, the Director of Localities & Infrastructure advised that a report on Cyber Security would be submitted to a future meeting of the Audit Committee.

Decision

The Audit Committee agreed:

1. to note the Irregularities Report attached at Appendix 1 to the report, and additional information in paragraph 3.3 of the submitted report; and
2. to note the additional information on corporate counter fraud activity at paragraphs 3.4 to 3.6 of the submitted report.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted).

AC30 FRAUD AND IRREGULARITIES (APRIL TO SEPTEMBER 2017) AND NATIONAL FRAUD INITIATIVE UPDATE

The reports at Appendices 1 and 2 to the report summarised losses, thefts and other financial irregularities reported to Internal Audit during the period 1 April 2017 to 30 September 2017, and an analysis of progress with National Fraud Initiative data matches to 6 October 2017. The reports did not provide detail on matters that were subject to ongoing investigations by Police Scotland, or that might be referred to Police Scotland as a result of ongoing investigations by Audit.

Financial Regulation 9 (Internal Audit) required Directors to notify the Chief Finance Officer of all financial irregularities or of any circumstances that might suggest the possibility of irregularities, including those affecting cash, stores, contract or property.

Nine incidents were reported to Internal Audit in relation to the period 1 April to 30 September 2017, with an anticipated and estimated loss to the Council of £5,207. These incidents included the loss of 4 mobile phones and 1 fuel card, and 4 thefts were reported during the year: a car parking ticketing machine (£3,200), stock and cash from vending machine at the Municipal Buildings (£450), money and stamps from Raploch Primary School (£1,111), and, tins of paint from Housing services (£45).

The Committee recorded thanks to the team for the work undertaken.

Decision

The Audit Committee agreed:

1. to note the Irregularities Report attached at Appendix 1 to the report, and additional information in paragraph 3.3 of the submitted report;
2. to note the National Fraud Initiative Update attached at Appendix 2 to the report, and additional information at paragraphs 3.4 to 3.7 of the submitted report; and
3. to note the additional information, concerning other investigations, at paragraph 3.8 of the submitted report.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted).

AC31 DRAFT INTERNAL AUDIT CHARTER

The report attached a draft, revised Internal Audit Charter for consideration and approval by the Audit Committee.

The draft, revised Internal Audit Charter had been prepared in accordance with the revised Public Sector Internal Audit Standards, effective from March 2017. It would supersede the Charter that was approved by Audit Committee on 23 January 2014.

The Audit Committee must periodically consider and approve an Internal Audit Charter, prepared by the Audit Manager, in order to meet specific obligations under the Standards. The Audit Manager considered that, with the establishment of the new Audit Committee following elections earlier this year, it was now an appropriate time to present an updated Charter for Members to consider and approve, ensuring that it was up-to-date with the current version of the Standards and the Council structure.

Decision

The Audit Committee agreed to approve the draft, revised Internal Audit Charter, attached at Appendix 1 to the report.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted).

AC32 ACCOUNTS COMMISSION AND AUDITOR GENERAL FOR SCOTLAND: SELF-DIRECTED SUPPORT – PROGRESS REPORT 2017

National reports prepared by Audit Scotland on behalf of the Accounts Commission were provided to the Audit Committee for consideration in accordance with good governance practice. The report provided the Audit Committee with information on the Accounts Commission national report: '*Self-Directed Support: Progress Report 2017*', published on 24 August 2017.

The national report was also prepared on behalf of the Auditor General for Scotland, and a number of its findings and recommendations were addressed jointly to the Scottish Government, to the Confederation of Scottish Local Authorities (COSLA) and to Health & Social Care Integration Authorities.

The report provided an independent view on progress made by all partners in implementing and achieving the outcomes of the Self-Directed Support Strategy introduced by the Scottish Government and COSLA in 2010.

An internal audit review of Self-Directed Support arrangements was ongoing. It was anticipated that a report would be brought to the Committee in March 2018.

In response to Members' questions, the Senior Manager - Strategic Commissioning & Customer Development clarified that both Children and Adults services were working hand in hand to promote SDS and that a digital directory of all supporting organisations had been created to allow real time referencing to the relevant support services.

Decision

The Audit Committee agreed:

1. to note the Accounts Commission national report '*Self-Directed Support: Progress Report 2017*' attached at Appendix 1, and the supplementary documents attached at Appendices 2 to 4 to the report;
2. to note the key messages and recommendations from the report, as summarised at paragraphs 3.3 and 3.4 of the submitted report; and
3. to note that the Council's Audit Manager (as Chief Internal Auditor to the Clackmannanshire and Stirling IJB) submitted a copy of the report to the meeting of the IJB Audit Committee on 14 September 2017.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted)

AC33 ACCOUNTS COMMISSION REPORT – LOCAL GOVERNMENT IN SCOTLAND – PERFORMANCE AND CHALLENGES 2017

Accounts Commission National reports, prepared by Audit Scotland, were provided to the Audit Committee for consideration in accordance with good governance practice. The report provided the Audit Committee with information on the Commission's national report: '*Local Government in Scotland: Performance and Challenges 2017*' published on 7 March 2017.

The report provided a high-level, independent view of the challenges facing councils, how well they were addressing these and what more they could do. It was aimed primarily at councillors and senior council officers as a source of information, and to support them in their complex and demanding roles.

The report was accompanied by two supplementary documents; a self-assessment tool for councillors, and a summary of good practice, which identified examples of improving performance, improving processes, making savings or adopting innovative approaches across a number of Councils.

The Chief Officer – Governance confirmed that Members had received a wide range of training to develop the right skills and knowledge to fulfil their complex and evolving roles.

Members congratulated the service and staff on the good practice reported within the appendices to the report.

Decision

The Audit Committee agreed:

1. to note the contents of the Accounts Commission's report '*Local Government in Scotland: Performance and Challenges 2017*', attached at Appendix 1, and in particular the key messages and recommendations summarised at 3.4 and 3.5 in the submitted report;
2. to note the associated supplements, 'Self-Assessment Tool for Councillors' and 'Good Practice' attached at Appendices 2 and 3 to the report; and
3. to note that the Chief Officer – Governance intends to reflect the contents of the 'Self-Assessment Tool for Councillors' in ongoing training that was being provided to Elected Members.

(Reference: Report by Chief Officer – Governance (Localities & Infrastructure) dated 10 October 2017, submitted).

The Convener declared the Meeting closed at 11:50 am.